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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 002389

SIPDIS

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SUBJECT: NEPAL-INDIA RELATIONS

REF: KATHMANDU 2383

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary

11. (C) Indian Ambassador Mukherjee told the Ambassador that it was likely Indian Prime Minister Singh would have a bilateral meeting with the Nepal King on the margins of the upcoming SAARC summit in Dhaka. Mukherjee said Singh would likely send a clear message to the King on the need to reconcile with the legitimate political parties. While India was worried about recent reports of Chinese arms sales (reftel), Mukherjee commented that he had been assured by Chinese and Nepalese officials that Nepal wanted to maintain good relations with all neighbors. Mukherjee stated that he had raised the issue of commercial arms sales from China and had warned Nepal about the dangers of making enemies of powerful Indian companies. End summary.

Indian PM Likely to Meet King in Dhaka

12. (C) On November 2, Indian Ambassador Shiv Shankar Mukherjee told the Ambassador that His Majesty's Government of Nepal had requested a bilateral meeting with the King and Prime Minister Singh on the margins of the upcoming SAARC summit in Dhaka. (Note: On November 2, local media reported that, for the first time, the King would represent Nepal as executive head of government at the 13th SAARC summit in Dhaka on November 12 and 13. The King reportedly plans to make Dhaka the first stop in a three week trip, returning to Nepal on December 2, in advance of the scheduled December 3 expiration of the unilateral Maoist cease-fire. The King intends to visit Tunisia, Kenya, Burundi (to see Nepal UN peacekeeping troops), South Africa, Tanzania, and Saudi Arabia. End note.) Mukherjee thought that the Indian PM would agree to meet the King in Dhaka and appeared confident that the PM's message would be focused on the need for the King to compromise. Mukherjee said that he had been informed by intermediaries that the King would like to see him in advance of the SAARC summit. Mukherjee had replied that he was always available to see the King, but had declined to request an audience. He noted he did not want HMGN to play up a request by India to see the King in the media and therefore he would wait to be summoned. Mukherjee also mentioned the possibility of a visit in the near future to Nepal by the Indian Foreign Secretary or the Indian Chief of Army Staff (COAS). Alternatively, Nepal's COAS could visit India.

India Assured On China Arms Deal ...

13. (C) Mukherjee stressed that India remained worried about Chinese arms sales to Nepal. However, he said he had been assured by Chinese diplomats that China "always" gave this level of annual security assistance to Nepal (1 million USD). The Chinese diplomats had stated that China had no intention of replacing India's role in Nepal, and noted the importance of Nepal having good relations with all its neighbors. Mukherjee said COAS Thapa had reiterated to the Indian DATT that the Chinese believed there was no substitute for good Nepal-India relations. (Note: Separately, Military Assistant to COAS, Col. Karki told Emboff that Nepal was turning to China because Nepal "must achieve balance with our neighbors." Karki had just returned from traveling to China with COAS Thapa in honor of fifty years of friendship between the two nations. Karki was short on details, but stressed that Nepal would do what "we need to do to secure the country." End note.)

...But Worried About Growing Commercial Links

14. (C) Mukherjee stated his concern about possible commercial arms sales from China. He had warned Nepal's Finance Minister Rana that it was dangerous for Nepal to make enemies of large Indian companies. Mukherjee noted that a recent sweetheart telecommunications deal with a Chinese company affiliated to the King's son-in-law had disadvantaged several of India's largest companies. Mukherjee said he had

cautioned Rana that Indian conglomerates were well connected to key politicians and parties in India and it could be bad for Nepal to make enemies. Mukherjee noted to Rana that Nepal had made a deal for 160 crore (1.6 billion Nepalese rupees or 22 million USD) of military weapons from China, but meanwhile still had not paid a penny of the 120 crore owed to India for past military purchases (16.5 million USD).

Comment

15. (C) While HMGN appears to be using relations with China to pressure India, it appears unlikely that the Indian government will change policies until the King reaches out to the parties. Since the King's takeover, the commercial aspects of Nepal-Indian relations have not influenced India's Nepal policy. However, if HMGN starts to threaten large Indian conglomerates' interests, this could change.

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